



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

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March 7, 2017

The Honorable Jonathan Kreiss-Tomkins
Alaska State Representative
State Capitol Room 411
Juneau, AK 99801

Honorable Representative Kreiss-Tomkins:

The purpose of this letter is to provide you with a response to your questions regarding the correlation between Alaska's Fishery Resource Landing Tax (FRLT) revenues and the federal Stock Assessment and Fishery Evaluation (SAFE) report. Although the Department of Revenue (DOR) Tax Division Fisheries Group cautions that this is not an apples to apples comparison, this discussion provides a contrast of applicable components including weight and price.

As background, the FRLT at AS 43.77 levies a tax on fishery resources not subject to the Fisheries Business Tax under AS 43.75 but that are brought into the jurisdiction of, and first landed in, the state. This includes activity of at-sea catcher-processors in waters 3-200 miles off the Alaskan coast when landing (offloading) resources in Alaska state waters or an Alaskan port. The tax rate for these catcher-processors is the same rate as an Alaskan land-based processor, 3% for established species and 1% for developing species. The levy is based on the unprocessed weight of the resource and valued by Alaska's annual Statewide Average Price (SWAP) published by DOR. The SWAP, defined at AS 43.77.200(7) and published annually, is based on price data from Fisheries Business Tax Returns (FBTRs) and data from Alaska Department of Fish & Game (ADF&G) Commercial Operators Annual Report (COAR). With one exception, the FRLT is levied only on those resources landed in Alaskan waters or at an Alaskan port, the exception is Pollock which is taxed without regard to where it is landed.

DOR Tax Division Fisheries Group was asked to compare Alaska's FLTR landing tax revenues to the requestor's derived calculation of expected revenues based on information published in the National Marine Fisheries Service's (NMFS) SAFE report. The requestor's revenue calculation from the SAFE report used a table of Alaska Fisheries catch weights and prices to extrapolate a total value and multiply by a 3% tax rate.

Because SAFE does not make a dollar representation of the fish reported, there are numerous differences that limit an apples-to-apples comparison of DOR Tax Division Fisheries Group revenue to a calculation of expected revenue based on the SAFE report. Timing, categorization, total species, imputations, and other methodology in the SAFE report, tax credits, established versus developing species, rounding differences in converting from metrics to pounds or from headed and gutted to whole fish, and other differences. Note that DOR uses whole fish, ex-vessel, and unprocessed interchangeably all which mean whole fish. To respond and control as many differences as possible such as fiscal year versus calendar year tax collections, and to provide a more granular review, this

review compares weight and then price. Weight and price, by species, are presented in separate tables in an effort to illuminate the data comparison. The species categories are defined in the SAFE report which combines species and uses an average price in order to present just five species categories. For this review the DOR Tax Division Fisheries Group converted FLTR data into five categories, as much as possible, for comparison.

Table 1 Weight compares the five fish species presented in the SAFE report to the aggregated FLTR reported tax return data by *weight*. Not included in this discussion is less than one half of one percent of FLTR weight for species not included in the SAFE categories, those are left out of DOR Tax Division Fisheries Group data for comparability. Also, a small amount of SAFE categorized fish is reported on FBTRs. The FBTR fish, when applicable, has been included in Table 1. Comparing weights reported from SAFE to FLTR shows variances in both directions.

There are several observations that can be made concerning the data. The first is that there is a strong correlation and consistency within the data from one year to the next and between the SAFE report and the FLTR. A second observation is that the chart identifies a consistently higher reporting of Pollock pounds in Alaska data compared to SAFE. To fully vet this issue will take more research to determine if the difference is truly due to higher poundage being reported, or if it is due to a measurement conversion or other methodological difference. As an example during correspondence with federal agencies it was discovered that the retained catcher-processor catch for flatfish included all species of flounders and soles, not just the six major species reported and discussed elsewhere in the report (2015 SAFE pages 169-177).

Sincerely,

A handwritten signature in blue ink, appearing to read "Randall Hoffbeck", with a long horizontal flourish extending to the right.

Randall Hoffbeck
Commissioner

Department of Revenue
Response to Representative Kreiss-Tomkins

SUPPLEMENTAL DOCUMENT
3 Tables – March 7, 2017

TABLE 1 – WEIGHT^{1 2 3 4 5}

2013				
Species	SAFE REPORT Table 2, GroundFish catch off Alaska. (Converted from metric tons to pounds.) (1)	Alaska DOR FLTR reported. Unprocessed, pounds. (2)	Difference, pounds	Difference, %
Pollock	1,320,787,842	1,568,989,089	248,201,247	
Sablefish (3)	4,144,686	3,427,098	(717,588)	
Pacific Cod	386,028,962	382,840,596	(3,188,366)	
Flatfish (4)	578,756,842	511,256,079	(67,500,763)	
Rockfish (5)	90,389,420	93,936,968	3,547,548	
Atka Mackerel	49,185,072	47,448,609	(1,736,463)	
	2,429,292,824	2,607,898,439	178,605,615	7%

2014				
Species	SAFE REPORT table 2, GroundFish catch off Alaska. (Converted from metric tons to pounds.)	Alaska DOR FLTR reported. Unprocessed, pounds.	Difference, pounds	Difference, %
Pollock	1,340,408,960	1,588,025,227	247,616,267	
Sablefish (3)	2,204,620	2,717,344	512,724	
Pacific Cod	377,430,944	369,512,646	(7,918,298)	
Flatfish (4)	583,166,082	508,963,567	(74,202,515)	
Rockfish (5)	96,121,432	104,132,193	8,010,761	
Atka Mackerel	63,294,640	69,510,526	6,215,886	
	2,462,626,678	2,642,861,503	180,234,825	7%

2015				
Species	SAFE REPORT table 2, GroundFish catch off Alaska. (Converted from metric tons to pounds.)	Alaska DOR FLTR reported. Unprocessed, pounds.	Difference, pounds	Difference, %
Pollock	1,364,880,242	1,616,994,470	252,114,228	
Sablefish (3)	2,204,620	1,865,909	(338,711)	
Pacific Cod	387,109,226	379,737,541	(7,371,685)	
Flatfish (4)	446,126,903	378,001,592	(68,125,311)	
Rockfish (5)	102,955,754	111,756,920	8,801,166	
Atka Mackerel	117,509,728	110,567,700	(6,942,028)	
	2,420,786,473	2,598,924,132	178,137,659	7%

¹ The data in column one is from the 2015 SAFE report at Table 2, pages 32 – 34 in the 2015 SAFE report, and adjusted, reduced, by subtracting discard weight identified in Table 6, pages 40-42.

² Column 2 is DOR FLTR reported unprocessed weight on FLTR returns with small adjustments for applicable catch on FBT returns.

³ Sablefish DOR reported weight was adjusted by dividing by .62 to convert from Eastern cut to ex-vessel value for comparison purposes.

⁴ Flatfish includes all founder and sole.

⁵ Rockfish includes all rockfish plus Pacific Ocean perch.

TABLE 2 – PRICE, VALUE^{6 7}

2013

Species	SAFE REPORT National Marine Fisheries Services's (NMFS) Price, dollars per pound (6)	DOR SWAP Price, dollars per pound (7)	Difference, dollars per pound
Pollock	\$ 0.15	\$ 0.16	\$ 0.01
Sablefish	3.10	3.01	(0.09)
Pacific Cod	0.25	0.26	0.01
Flatfish	0.16	0.07	(0.09)
Rockfish	0.22	0.22	-
Atka Mackerel	0.33	0.02	(0.31)

2014

Species	SAFE REPORT National Marine Fisheries Services's (NMFS) Price	DOR SWAP Price	Difference, dollars
Pollock	\$ 0.15	\$ 0.15	\$0.00
Sablefish	3.84	3.42	(0.4)
Pacific Cod	0.28	0.29	0.0
Flatfish	0.14	0.07	(0.1)
Rockfish	0.23	0.19	(0.0)
Atka Mackerel	0.35	0.10	(0.3)

2015

Species	SAFE REPORT National Marine Fisheries Services's (NMFS) Price	DOR SWAP Price	Difference, dollars
Pollock	\$ 0.15	\$ 0.14	\$ (0.01)
Sablefish	3.99	4.01	0.02
Pacific Cod	0.27	0.28	0.01
Flatfish	0.14	0.12	(0.02)
Rockfish (5)	0.20	0.18	(0.02)
Atka Mackerel	0.26	0.18	(0.08)

⁶ From 2015 SAFE report, Table 18, page 63. “Ex-vessel ground fish off Alaska by gear, calculations based on COAR \$ per pound, round weight; exception- Sablefish, Rockfish, Flatfish, and Atka Mackerel priced derived due to insufficient COAR basis.

⁷ Based on SWAP and with species categorized using weighting to represent the five SAFE categories.

TABLE 3 Extrapolated Ex Vessel Value

<u>2013</u>				
Species	SAFE Extrapolated Ex Vessel Value (Table 1 Multiplied by Table 2). GroundFish catch off	FLTR Extrapolated Ex Vessel Value (Table 1 Multiplied by Table 2). GroundFish catch off	Difference, dollars	Difference, %
	Alaska.	Alaska.		
Pollock	\$ 201,200,000	\$ 251,036,708.00	\$ 49,836,708	
Sablefish (3)	10,200,000	9,233,884	(966,116)	
Pacific Cod	95,300,000	99,413,220	4,113,220	
Flatfish (4)	97,000,000	35,653,459	(61,346,541)	
Rockfish (5)	21,100,000	20,732,221	(367,779)	
Atka Mackerel	16,800,000	948,972	(15,851,028)	
	\$ 441,600,000	\$ 417,018,464	\$ (24,581,536)	-6%

<u>2014</u>				
Species	SAFE Extrapolated Ex Vessel Value (Table 1 Multiplied by Table 2). GroundFish catch off	FLTR Extrapolated Ex Vessel Value (Table 1 Multiplied by Table 2). GroundFish catch off	Difference, dollars	Difference, %
	Alaska.	Alaska.		
Pollock	\$ 209,400,000	\$ 238,201,542	\$ 28,801,542	
Sablefish (3)	9,600,000	9,046,094	(553,906)	
Pacific Cod	111,500,000	107,642,883	(3,857,117)	
Flatfish (4)	88,000,000	35,805,533	(52,194,467)	
Rockfish (5)	23,800,000	19,865,975	(3,934,025)	
Atka Mackerel	24,500,000	6,951,053	(17,548,947)	
	\$ 466,800,000	\$ 417,513,080	\$ (49,286,920)	-12%

<u>2015</u>				
Species	SAFE Extrapolated Ex Vessel Value (Table 1 Multiplied by Table 2). GroundFish catch off	FLTR Extrapolated Ex Vessel Value (Table 1 Multiplied by Table 2). GroundFish catch off	Difference, dollars	Difference, %
	Alaska.	Alaska.		
Pollock	\$ 208,700,000	\$ 226,362,584	\$ 17,662,584	
Sablefish (3)	9,100,000	6,564,973	(2,535,027)	
Pacific Cod	105,900,000	106,223,318	323,318	
Flatfish (4)	67,300,000	44,439,043	(22,860,957)	
Rockfish (5)	22,300,000	19,519,821	(2,780,179)	
Atka Mackerel	30,200,000	19,902,227	(10,297,773)	
	\$ 443,500,000	\$ 423,011,966	\$ (20,488,034)	-5%